

City of Detroit


CITY COUNCIL

IRVIN CORLEY, JR.
FISCAL ANALYST
(313) 224-1076

FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX: (313) 224-2783
E-Mail: cc-fiscal@ci.detroit.mi.us

ANNE MARIE LANGAN
ASSISTANT FISCAL ANALYST
(313) 224-1078

TO: Roger Short, Interim Chief Financial Officer
Finance Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director 

DATE: April 20, 2006

RE: 2006-2007 Budget Analysis

Attached is our budget analysis regarding your department's budget for the upcoming 2006-2007 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:cyb

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Pamela Scales, Budget Department Director
June Ellis, Budget Manager
Kandia Milton, Mayor's Office

Finance Department (23)

FY 2006-2007 Budget Analysis by the Fiscal Analysis Division

Summary

The Finance Department is a General Fund agency. The recommended 2006-2007 budgeted appropriations total \$33.68 million. The department's net tax cost is \$26.6 million, which is \$.425 million lower, than the current year's net tax cost.

The Mayor recommends a net decrease of 65 positions.

2005-2006 Surplus/(Deficit)

The Administration anticipates that Finance will end the year with a \$1.4 million net surplus, which is the same projection as last year at this time. The surplus is because of departmental vacancies due to layoffs in the current year. However, layoff benefit costs have not been factored in and they would reduce this surplus.

Overtime

The department has an overtime budget of \$490,000 in the current fiscal year. Through March 31, 2006, the department has spent \$32,400.

For 2006-2007 the recommended budget for overtime is \$515,000.

Personnel and Turnover Savings

The Mayor recommends a net reduction in force of 65 positions, which will restore some positions that were lost in the current year's layoff as well as create some new positions to handle the function of billing and collecting the solid waste fee.

Following is information by appropriation comparing current FY 2005-2006 positions, March 31, 2006 filled positions and FY 2006-2007 recommended positions.

<u>Appropriation/Program</u>	<u>Budgeted Positions FY 2005-06</u>	<u>Filled Positions 03/31/2006</u>	<u>Mayor's Budget Positions FY 2006-07</u>	<u>Over/(Under) Actual to 05/06 Budget</u>	<u>Mayor's Recommended Turnover</u>
Finance Department (23)					
00058 Administration	7	7	5	0	\$ -
00060 Assessments Division	70	52	59	(18)	\$ -
00061 Purchasing Division	22	20	19	(2)	\$ -
00063 Treasury Division	49	3	50	(46)	\$ -
230020 Project Administration	5	3	2	(2)	\$ -
230030 Accounts Payable	12	9	11	(3)	\$ -
230060 Payroll Audit	17	24	17	7	\$ -
230090 Debt Management	5	3	5	(2)	\$ -
230100 Risk Management	22	11	16	(11)	\$ -
230130 General Accounting	21	46	15	25	\$ -

Appropriation/Program	Budgeted Positions FY 2005-06	Filled Positions 03/31/2006	Mayor's Budget Positions FY 2006-07	Over/(Under) Actual to 05/06 Budget	Mayor's Recommended Turnover
Finance Department (23)					
00245 Accounts Division - Admin.	82	96	66	14	\$ -
00246 Accts.-Pension & Employee Ben.	42	30	40	(12)	\$ -
00247 Accts.-City Income Tax Oper.	57	45	51	(12)	\$ -
00832 Departmental Accounting Oper.	61	46	35	(15)	\$ -
11859 Targeted Business Development	4	4	4	0	\$ -
23XXXX Unmatched	0	0	0	0	\$ -
23XXXX Leave of Absence	0	(3)	0	(3)	\$ -
TOTAL	<u>394</u>	<u>300</u>	<u>329</u>	<u>(94)</u>	<u>\$ -</u>

Proposed Layoffs and Vacant Position Reductions

There are no proposed layoffs for 2006-2007. In the last 12 months that spanned two fiscal years there have been 3 rounds of layoffs for a total of 171.

In March 2005 there was a layoff of 69, in July 2005 there was a layoff of 46 and 56 were laid off in January 2006.

Budgeted Professional and Contractual Services by Activity

Finance (23)

Budgeted Professional and Contractual Services by Activity	FY 2005-06 Budget	FY 2006-07 Recommended	Increase (Decrease)
Administration	\$ -	\$ -	\$ -
Assessments	286,960	261,640	(25,320)
Purchasing	-	-	-
Treasury	325,130	425,130	100,000
Accounting Operations	187,853	200,927	13,074
Income Tax Operation	154,121	98,121	(56,000)
Pension & Employee Benefits	<u>2,719,800</u>	<u>2,719,800</u>	-
Total	<u>\$ 3,673,864</u>	<u>\$ 3,705,618</u>	<u>\$ 31,754</u>

Significant Funding Changes

IT contractual services are increased by \$100,000 and Printing is increased by \$500,000.

Significant Revenue Changes

The reimbursement in Risk Management from grant and enterprise agencies is expected to decrease by \$400,000, due to the fact that there will be fewer people working on risk management and worker comp issues.

Issues and Questions

1. Who is responsible for implementing the defined contribution plan? Will it be set up in July? When will prior employees and retirees since 1998 begin to be contacted about switching over?
2. Has the subject of “piggybacking” our income tax form onto the state’s form been seriously discussed? This is what many cities in other states do. Has anyone approached the state treasurer about implementing this?
3. In this citywide budget that includes many reductions, **only 2 functions have been completely cut.** That means the same number of financial accounts have to be maintained. How is this going to happen with a 40% reduction in accounting staff, from both Departmental Accounting as well as the General Accounting section?

The lack of consistent, monthly bookkeeping, journal entry work and reconciling of accounts is the main reason the CAFR takes so long to produce now.

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